

Market Focus Europe

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Introduction

Baptie & Co’s (www.baptie.com) Market Focus Europe conference took place 27-28 October in Barcelona, Spain. The conference attendees included large IT companies, SME’s and Marcomm / Public Relations firms. The two-day conference featured many great presentations. The content from the most compelling presentations are highlighted and summarized in the 11 short sections.

The recurring themes throughout emphasize the importance of marketing to your channel partners as well as your end user, creating and implementing a solid marketing strategy and tying your marketing to your European sales channels.

Marketing to the Channel

Marketing to your customer is a common practice, but marketing to the channel is essential as well. Why engage a channel? Vendor sales teams are shrinking creating further reliance on those in the channel for marketing support. The practice empowers the distributor or reseller creating the landscape for SME’s to increase market share. Coupled with the “local” understanding of the market, this is a powerful tool to reach your end user.

According to the Gartner Group, the channel wants the following seven characteristics from American vendors:

- Trust - #1 most valued characteristic!
- Consistent vendor behavior
- Fair pricing (read: margins)
- Support on training and accreditation.
- Lead management
- Easy systems - reliable business solutions
- Communication - regular and relevant

Channel Communication

Like most areas of business, good communication can make or break your company. Channel communications starts with providing the essentials such as website support / partner extranet and printed collateral. The next step up from that is co-organizing seminars / events and newsletters. These events, when conducted properly, generate effective sales leads and grow the market. Finally loyalty and promotions round out the channel support. Loyalty over the long term creates a valuable two-way communication model for feedback and expanding the channel.

The communication theme hit home repeatedly throughout the conference. Channel partners fear loss of relationship with end users because of fear (lack of trust) of the vendor cutting the channel partners and going direct. This totally decimates distributors, VAR's and other channel partners, hence a huge concern.

Marketing to the Channel – What really works?

1. Segment the key audience in your strategy and target the audiences with the most appropriate messages, or “know your audience”
2. Directly support the sales objectives and work in close harmony with the channel sales team.
3. Integrate channel communications within the overall marketing strategy. Keep your channel information and part of the team!
4. The channel relies on relationships that are built on trust, a key element.
5. Continuity – launch, maintain and promote.

Latest Channel Trends

Demand is slowly recovering in Europe. Services are becoming an increasingly important proportion of revenues. Service have strong margins and have somewhat offset the tight prices of hardware products. According to Via International, there is now a 75/25 model of products / services. The service portion has doubled over the last few years.

Tip: Services and products together have formed the business solutions trend that offers a higher quality package to the end user while creating new margin opportunities.

There is a new service business model evolving. There is a shift from large, lumpy contracts to continuous flow of smaller projects / deals. This shift allows for shorter time to returns. Quick ROI time flows with the impatient sales demand that permeates the American business landscape.

In addition to the emphasis on shortened ROI times, there is a shift to Pan-European distributors, resellers and systems integrators. The country by country international partner model is shrinking. The EU continues to evolve to a one-market region. Exclusivity by country is a dated channel partner strategy.

Channel Predictions from Via International

- Flat growth in '04 with upturn towards the end of the year
- Mobility, storage and security are the big drivers
- Continued solution demand with more strategic partnering
- Customer emphasis is on valuing service and advice including risk sharing
- Pressure as vendors look to cut channel and go direct
- Continued consolidation in the market

Vendors see distributors as outsource service providers rather than a customer. Outsourcing can consist of logistics, marketing, training and tech support.

Tip: Value-Added services / business solutions are the latest competitive edge in the channel

Five areas you should use to measure the channel:

1. Financial
2. Brand (ROI on marketing activities)
3. Relationships
4. Productivity – forecasting and manage inventory
5. Demand / Growth

Increasing Website Lead Generation

Internet usage continues to flourish throughout the EU. The web has been integrated into the channel. In some cases, it has helped create a delivery mechanism for companies to market, sell and fulfill all over the web. Therefore, it makes good business sense to put the web to work for your lead generation efforts.

Here are some best practices from Europe based web consulting firm, Logan Tod:

1. Get senior management buy-in
2. Run a robust and constant improvement process – analyze what works / doesn't work

3. Create a dynamic team to integrate web lead development into all sales generation efforts.
4. Focus on your site visitor's needs – look at your site through their eyes
5. Measure conversion rates (hits to leads ratio) frequently
6. Use marketing budget to drive visitors to your site and make their visit worthwhile

Other tips for a good web sales lead generation campaign include an emphasis on measuring sales leads from site visits, not site visits alone. Many companies trend to improving site visits. It's keeping them there and turning the visit into a sale that is most important – conversion rate. Create a measure for conversion rate. Conversion rate tracks site visitors that make a visit into a positive action.

A customer centric philosophy on your site will create an environment for success. People visiting your site are already good prospects or they would not be there. It's a built-in filter process allowing you access to customers likely buy. Figure out why they are there and adjust your marketing campaign accordingly. Once on the site, **the timing** of your message along with whom you **target** are the two biggest elements to **improve conversion rate**.

Tip: Use website registration (keep it short) to build marketing database; in return, provide them with free information for the effort.

Case Study: Think Global....Act Local Microsoft's retooling of their global marketing strategy

Mr. Greg St. James, Director of Global Marketing for Microsoft addressed the conference walking through their radical change in their global marketing strategy – here are the highlights and major shifts:

- Retooled marketing organization blueprints for all subsidiaries and partners
- Redefined local marketing roles with clear division of responsibility between local and HQ
- Increased focus on relationships and customer contact strategy –empowerment to local level in order to exploit local market trends
- Built mirror roles between HQ and subsidiaries to increase continuity, marketing message and communication
- Ads / Branding activity pulled back to HQ level
- Emphasis on top thinkers and strategists to implement and drive local execution of global strategy
- For strong 'local teams' they empowered them to act as Microsoft HQ or global – a show of trust
- Big picture global marketing responsibility brought completely back into headquarters. They had too many mixed messages / branding by totally empowering their international partners.

Tip: Running your marketing campaigns from HQ level strengthens branding and big picture goals / message, using European partner input allows for local flexibility, loyalty building and motivation through inclusion.

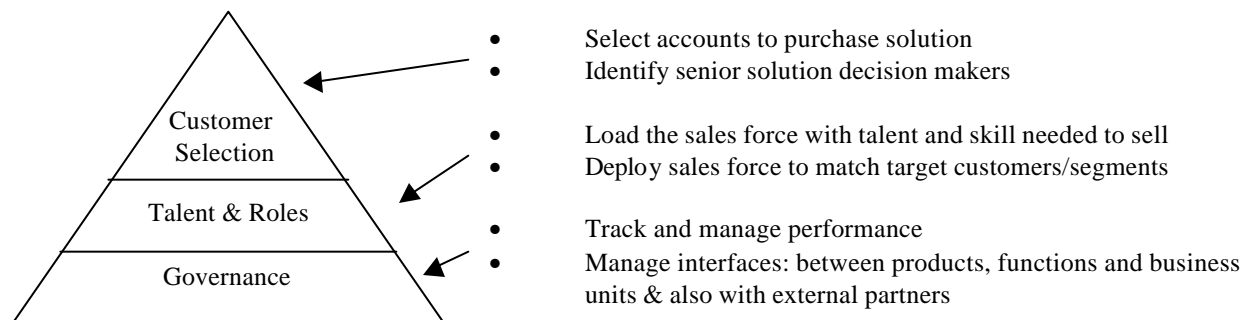
Keys to Successful European Marketing Campaign

1. Get the voice of your channel partners heard – include on conference calls, strategy meetings and marketing campaigns.
2. Recognize the power base then show the value add of marketing. Sales and revenue are power base, ensure that your marketing efforts coincide.
3. Hire the best and then empower them to bring local flavor and create measurable ROI
4. Measure your marketing / channel success then market internally within the company.
5. Get executive level buy-in for European marketing campaigns.

Solution Selling – Beyond the Hype: Is the Pain Worth the Gain?

Solution selling has become popular over the past 5-10 years, but only 25% of all companies have seen “sustainable economic impact”. The companies that are able to demonstrate success execute their strategies using 5 critical elements:

1. Create a distinctive solutions value proposition. Example – a paint manufacturer shifts to becoming the integrated provider of painted cars (providing the paint, coating solutions/techniques, etc.).
2. Change to solution sales approach:



3. Adopt value based pricing. Example: An optical networking provider modified its pricing and sales approach with the results of creating higher margins, new sales tools and improved public perception.
4. Create different but self-optimizing structures. Example: Dow Chemical added independent solutions BU to existing product BU specifically to sell chemical solution to discrete customer segments.

Case Study: Clearswift

Paul Rutherford, CMO of Clearswift, discussed how the company shifted it's focus from simply selling content filtering software to a business that provided "safe messaging, secure boundaries & best practices in electronic communications."

In order to transform into a solutions provider, Clearswift followed McKinsey's five Dimensions:

Mc Kinsey's Dimension	Action
1. Create a distinctive "solutions" value proposition from filtering to business issues	Radically changed the sales approach
2. Value-based pricing	Aligned the organization with opportunity
3. Customer impact	Shift from filtering to business issues
4. Beyond channel partners to direct-with-SI	Utilized different models for enterprise functionality and management
5. Sales, marketing and engineering teams	Created new terms & agreements, new service level agreements and new customer communication

Ultimately, Clearswift realized that a "volume" business relies on metrics, product features and an efficient, loyal channel, whereas a "value" business relies on positioning, relationships and the ability to customize. "The challenge is to change the fan-belt and keep the engine running at the same time."

Be a Brand Winner, Not a Loser

According to Robert Hollier with Banner Corporation, we are moving towards an world of increasing "sameness", where technology has achieved parity status, meaning that there are few radical breakthroughs, competitors catch-up too quickly, functional differentiation is lacking and people are cynical. Additionally there is a resistance to marketing, as **all marcom is becoming to seem like SPAM.**

**In order to achieve success, companies must combat sameness –
DIFFERENTIATION IS KEY!**

Clues from the "losers" (Example - Sun): Their vision isn't single-minded, believable and lacks differentiation.

From the Sun website:

Sun Vision - Since its inception in 1982, a singular vision - The Network is The Computer - has propelled Sun Microsystems, Inc. (Nasdaq: SUNW) to its position as a leading provider of industrial-strength hardware, software, and services that make the Net work. Sun can be found in more than 100 countries and on the World Wide Web.

You can replace “Sun” with HP, Oracle or any number of other companies and not make a difference. On the other hand, “winners” like Apple get it right by maintaining their message of innovation:

Apple ignited the personal computer revolution in the 1970s with the Apple II and **reinvented** the personal computer in the 1980s with the Macintosh. Apple is committed to bringing the best personal computing experience to students, educators, creative professionals and consumers around the world through its **innovative** hardware, software and Internet offerings.

Apple has a clear vision that is succinct and has strong differentiation (which also targets specific end users). In its execution, Apple is consistent in its messaging, touch-points and global reach.

Tip: Checklist to avoid “creeping sameness”

- ❑ **Have you defined what makes your brand different?**
 - **Is it single minded?**
 - **What is your vision and can you explain it in 25 ordinary words?**
 - **Will it be consistent over time?**
 - **Will it work globally?**
- ❑ **Do you have senior management support?**
- ❑ **Have you assessed your competitor’s differentiation?**
- ❑ **Have you communicated your brand differences to all staff and business partners worldwide?**
- ❑ **Are your guidelines in place for every marcom discipline?**
- ❑ **Do you know what your brand stance is now and will you track your brand differentiation over time?**

Marketing to Your Installed Base - Best Practices

- Send Thank You notes with NO sales messages
- Match sales techniques with the clients
- Utilize user groups
- Don’t forget your “cash cows”
- Use existing clients to help new customers

Case Study: Pierre Van Beneden, VP Europe for Adobe sends out a pdf with information on new products. Since 1997, there have been 500,000 million downloads of Adobe Reader. To these registered users, Adobe then sends emails with updates on new features. Pierre refers to this strategy as “giving away the blades, but keeping the razor.”

Tips: Two techniques to encourage existing clients to help you with your marketing efforts:

- 1. Offer incentives (discounts, product, etc.) for clients to write white papers or press releases and give presentations, which in turn promote your company.**
- 2. Host big dinners, making sure that each table includes the seating arrangement of two existing customers and eight prospects.**

Five Key Things to Remember for a Successful Marketing Strategy

1. Branding is a never-ending journey
2. Buy-in must start at the CEO level
3. There needs to be a tremendous amount of internal communication
4. The Message must be simple and easy to communicate
5. The strategy must be backed at every level, including engineering and service

Industry Trends in the Small & Medium-Sized Enterprise Space: “Do You Need an Influencer or Agent Program?”

As explained by Rod Baptie with Baptie & Company, “influencers” may be defined as those who: design or consult on solution and influences or controls specification of brands and products, make revenue on services, not product margins, and are not threatened by vendors and are therefore more willing to share information about end-user customers.

Once you find an influencer (which can be done through asking customers and other influencers), it is important that they are well supported and kept up-to-date with technical knowledge through monthly mailings and perhaps private websites designed just for their needs. Influencers can be motivated by being provided with training opportunities (training vouchers or channel conferences) and special business development opportunities, such as through preferential lead systems.

Agents, alternatively, are usually paid on commission, which can result in channel conflict issues, particularly with European competition and pricing laws. The key issues to understand are: what is the real sales process, who will influence these decisions, how to the influencers want to implement your technology and, most importantly, how to build your channels to meet your customer’s needs.

Tip: Those who aggressively target influencers and specifiers have a significant competitive edge.

Europe: Going Nowhere Fast

William Thomson, Managing Director, European Economics, provided an overview of the current economic situation in Europe and it’s implications for the technology sector.

The statistics:

- Eurozone GDP growth was 0.8% in 2002, the lowest since 1993
- Euro hit lifetime high since launched in Jan 1999 of US \$.19 in May 2003, up nearly 40% from Feb 2002 low
- Export volumes under pressure from strong euro. Eurozone exports down by 0.6% y/y in Q2

What will drive the European recovery?

- Growth will benefit from a quick end to the war in Iraq
- Improving global outlook crucial, especially in the US
- Exports will remain key to growth,
- Recovery will be supported by: low inflation, accommodative monetary policy, real income rises, and end to inventory adjustments and limited fiscal stimulus in some countries

However, these factors could hold back European recovery:

- Low consumer confidence
- Lack of investment in business sectors
- ECB's tight monetary policies
- Fiscal tightening by governments to meet Stability and Growth Pact commitments
- Strong euro threatening competitiveness and export performance
- Labor unrest